Stephen R. Pelcher
Associate General Counsel -
Rates and Regulatory Matters

One Riverwood Drive
P.O. Box 2946101
Moncks Corner, SC 29461-2901
(843) 761-4016
Fax: (843) 761-4193

Transmittal by Email

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Mr. David H. Meyer
Acting Deputy Director
Office of Electricity Delivery and
Energy Reliability
U.S. Department of Energy
Washington, D.C. 20585

Dear Mr. Meyer:

On behalf of the South Carolina Public Service Authority ("Santee Cooper"), I am responding to the stakeholder survey distributed by United States Department of Energy in connection with the mandate in Section 1234 of the Energy Policy Act of 2005 directing the Department to study procedures governing electric utility economic dispatch.

Question 1

"What are the procedures now used in your region for economic dispatch?"

We are not aware of any formally defined economic dispatch procedures within either the Southeastern Electric Reliability Council (SERC) region or the Virginia/Carolinas (VACAR) sub-region of SERC.

"Who is performing the dispatch (a utility, an ISO or RTO or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area?"

Santee Cooper performs economic dispatch for all Santee Cooper resources within the Santee Cooper Balancing Authority area. This area includes over one-third of South Carolina's population, including growing suburban areas outside Charleston, Columbia, Greenville, and Spartanburg as well as the coastal areas of Myrtle Beach and the Grand Strand area, Hilton Head Island, Kiawah Island, and Seabrook Island. Santee Cooper's direct customers currently include 32 large industrial customers, Central Electric Power Cooperative, Inc., and two municipal electric systems, the City of Georgetown and the City of Bamberg. Santee Cooper serves approximately 800,000 customers, either directly or indirectly, with a 5090 MW summer peak capability.

Question 2

"Is the Act's definition of economic dispatch (see above) appropriate?"

The Act's definition of economic dispatch is not appropriate and should be amended to include contractual, regulatory, and environmental limits or requirements in addition to operational limits. It is understood by Santee Cooper that the operational limits mentioned in the Act's definition of economic dispatch recognize limits necessary to maintain system reliability including fuel inventory or delivery constraints, low load stability risk, ramp requirements, weather conditions and other factors that must be considered by system operators.

"Over what geographic scale or area should economic dispatch be practiced?"

The scale or area for which economic dispatch should be practiced is that geographic scale or area for which an entity has an obligation to serve whether that obligation arises from federal, state or local law, or under a long-term contract to provide electric service to end users or to a distribution utility.

"Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?"

As noted above, contractual, regulatory, and environmental limits or requirements in addition to operational limits should be considered in economic dispatch.

Question 3

"How do economic dispatch procedures differ for different classes of generation, including utility-owned versus non-utility generation?"

Santee Cooper effectively performs economic dispatch[1] for non-utility owned generation within its Balancing Authority area as well as for non-utility owned generation within the Balancing Authority areas of other entities through scheduled power purchases. Santee Cooper will dispatch non-utility resources in this manner to the extent Santee Cooper has a contractual right to dispatch the generation pursuant to a power purchase contract and the total delivered cost to Santee Cooper of the resource justifies it being economically dispatched when compared with other options.

"Do actual operational practices differ from the formal procedures required under tariff or federal or state rules, or from the economic dispatch definition above?"

Actual operational practices do not differ from the formal procedures required under tariff or federal or state rules. Santee Cooper recognizes contractual, regulatory, and environmental limits and requirements of generation and transmission in addition to operational limits, which includes limits necessary to maintain system reliability.

"If there is a difference, please indicate what the difference is, how often this occurs, and its impact upon non-utility generation and upon retail electricity users."

Not applicable.

[1] Economic Dispatch is understood to mean the Act's definition of economic dispatch amended to include contractual, regulatory, and environmental limits or requirements in addition to operational limits.

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Question 4

"What changes in economic dispatch procedures would lead to more non-utility generation dispatch?"

Santee Cooper's existing economic dispatch procedures include consideration of non-utility generation and result in the proper mix (*i.e.*, lowest cost to end-use customers) of resources at any given time. During 2004, for example, Santee Cooper purchased 857,441 MWhs of economic generation from non-utility generators and other market participants.

As such, no changes in existing procedures are required.

"If you think that changes are needed to current economic dispatch procedures in your area to better enable economic dispatch participation by non-utility generators, please explain the changes you recommend."

Not applicable

Question 5

"If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions and other impacts?"

Santee Cooper plans and operates its generation and transmission based on least cost principles which includes the use of non-utility resources to the extent this use lowers Santee Cooper's total costs.

"How would this affect retail customers in particular states or nationwide?"

These least cost economic dispatch principles used by Santee Cooper provide its customers, including its retail customers, with the lowest possible price. Santee Cooper would expect that other utilities employing these principles would see a similar result.

Question 6

"Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch? If so, how should economic dispatch be modified or enhanced to protect reliability?"

Since Santee Cooper already uses economic dispatch, it is unclear how Santee Cooper could make "greater use of economic dispatch."

Having said that, negative impacts on reliability would not be expected as a result of increased use of non-utility generation assuming the generation has been effectively integrated into the transmission system and adequate firm transmission rights have been acquired.

Finally, I would respectfully request that you provide me with a timely copy of any report that the Department of Energy submits to Congress or the States on the results of the study conducted pursuant to Section 1234 of the Energy Policy Act of 2005, including any suggested legislative or regulatory changes.

Thank you for your attention to this matter. Contact me if you have any questions or if I can be of further assistance.

Very truly yours,

Stephen R. Pelcher

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